

IRS Aids Dodd, Stirs Confusion, Sen. Williams Charges

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Sen. John J. Williams has charged the Johnson administration with "a deliberate plan to create confusion" by advancing proposals which he said would take Sen. Thomas J. Dodd, D-Conn., off a tax hook on \$100,000 or more which he has received from fund-raising affairs.

In a Senate speech yesterday, the Delaware Republican said that in the last two weeks Internal Revenue Service officials have been "quietly approaching some members of the Senate" and suggesting that the "present law may be fuzzy" on this point.

He said the officials, whom he did not name, also suggested "that some clarifying legislation may be necessary."

The Revenue Service said neither Commissioner Sheldon S. Cohen nor, to Cohen's knowledge, any member of the service has approached a member of Congress on this subject. Nor has the commissioner authorized anyone to do so, IRS added.

In a letter to Williams released yesterday, Cohen reiterated his earlier statement that "whether or not the proceeds of such fund-raising activities constitute taxable income turns on the intention of the individuals who contribute to the event."

Cohen's letter said it was "not possible to speculate on the result in any particular case until all the facts are known."

Asked if Dodd's tax returns were being checked to determine the facts in his situation, an IRS spokesman said he could "neither confirm nor deny that." The spokesman said IRS never discusses pending investigations.

Cohen, replying to letter Williams wrote last Friday, said "as far as I have been able to determine, the IRS has never issued a ruling on this specific issue" of what constitutes a personal testimonial dinner as opposed to campaign fund-raising event.

Cohen the referred to a 1954 ruling which requires that taxes be paid on political contributions diverted for personal use.

Ultimate Effect

The ultimate effect of the clarifying legislation, Williams said, in his speech yesterday, would be to clear Dodd of any tax liability on the proceeds from fund-raising affairs in 1961, 1963 and 1965. Dodd's associates have contended the funds are gifts and not taxable.

Williams described as "a farce" any efforts to claim that funds raised for campaign purposes and diverted by a public official to personal use are not taxable.

"In fact," he added, "as far as I am concerned, even if the member does pay taxes on these diverted funds, it is still improper."

Dodd was not on the Senate floor during Williams' speech.

In other remarks on the floor, Sen. Clifford P. Case, R-N.J., said he thought receiving or giving contributions apart from campaign purposes was "thoroughly bad public policy."

Confident of Committee

In his speech Williams never mentioned Dodd, a close friend of President Johnson, by name. He referred to him as "a member of the Senate," whose handling of campaign funds and other matters were under investigation by the Senate Ethics Committee.

Williams said he had "every confidence in the integrity and ability of the committee to do its job and 'render an objective report' to the Senate."

Williams said he spoke on the matter only to clear up some of the confusion generated by the explanation attributed to Dodd's associates, the approaches made to senators by IRS officials, and a press release put out by the IRS.

"In my opinion," he said, "these tactics are part of a deliberate effort to create confusion as to the effectiveness of existing law in the hope that they can get Congress to accept the premise that a loophole does exist and then proceed to rewrite legislation dealing with campaign contributions."

Rejecting outright any need for new legislation—and supporting his views with past Treasury rulings—Williams added:

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effect legalized since our enactment of new legislation would be interpreted as the opinion of Congress that a loophole does exist in the present law and the present law does not impose a tax on those diverted funds."

"Would Be Neat Trick"

This, Williams said, "would be a neat trick to excuse past violations if they could get Congress and the public to accept it."

Williams, the ranking Republican member of the tax-willing Senate Finance Committee, rejected the proposition outright.

"I flatly refuse to be a part of any such backstage plan," he said. "There is no doubt in my mind but that the present law is perfectly clear and that all we need is the will to enforce it."

Williams accompanied his Senate speech with a copy of a letter he identified as one soliciting contributions of "\$100 or more" from those invited to a Fairfield (Conn.) cocktail party in 1963 attended by Johnson when he was still vice president.

The funds solicited for these money-raising affairs, Williams said, "were actually collected as campaign contributions."

"The Treasury Department is well aware of this point," he said.

The letter he introduced, with the person's name receiving it removed, began:

"In 1964, our friend, Sen. Thomas J. Dodd will campaign for re-election to the United States Senate. It does not seem necessary for me to stress the heavy financial burden this campaign will involve. For this reason, it is necessary for those of us who respect and admire Sen. Dodd to lend whatever aid we can to assist him in presenting a vigorous campaign."

The letter emphasized that Johnson would be in Connecticut for the entire day to take part in the various activities that were planned. It said the party would be held at the home of Mr. and Mrs. Archie Perry, 750 Verna Hill Road, Fairfield, between 3 and 5 p.m. and added:

"Inasmuch as Mr. and Mrs. Perry have been gracious enough to give us their home for this occasion and have underwritten the expenses involved, we hope that the various guests

will see fit to make contributions of \$100 or more . . ."

Mr. Perry died several months ago and Mrs. Perry, now living in Bridgeport, Conn., told The Star Monday night the party was held as the letter indicated.

When asked how many persons attended, how much money was raised and similar questions, she said: "I don't seem to recall exactly. My mind seems to be a blank."

Mrs. Perry then said she would attempt to ascertain details of the party and suggested that she be called back one night later in order to have time to recall the party.

When called again, she replied "no comment" to all the questions asked.

Williams inserted in the record a 1954 Treasury ruling which said that money raised for campaign purposes and diverted to personal use "constitutes taxable income."

The ruling added:

"Where a political gift is received by an individual or a political organization and it is held or used for the purpose intended, i.e., for present or future expenses of a political campaign, it is not taxable income to the recipient . . ."

"However, any amount diverted from the channel of campaign activities and used by a candidate or other individual for personal use constitutes taxable income . . ."

A 1961 ruling given at the request of Senate Republican Leader Everett M. Dirksen of Illinois, Williams said, reaffirmed that any funds diverted for personal use were taxable as income.